Declaration of dividends by Mutual Funds

1127. SHRI VARINDER SINGH BAJWA: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that a large number of Mutual Funds where small investors have invested for 'Dividends' don't declare dividends for years together, thereby frustrating the aspirations of small investors;

(b) whether the Securities and Exchange Board of India (SEBI) has issued any regulations/ guidelines for the mutual funds for declaring dividends on yearly basis;

(c) if so, the details thereof; and

(d) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) SEBI has informed that 318 out of 566 mutual fund schemes with dividend option have declared dividends during 2007.

(b) to (d) As per SEBI (Mutual Fund) Regulations, 1996, a mutual fund may declare dividends in accordance with the offer document and subject to such Guidelines as may be specified by the SEBI.

Speculation on stock price

1128. SHRI A. VIJAYARAGHAVAN: Will the Minister of FINANCE be pleased to state:

(a) whether the stock holders such as Foreign Institutional Investors (FIIs) have a role in stock price overvaluation;

(b) if so, the details thereof;

(c) whether it is a fact that above may cause more space for speculation;

(d) if so, the details of appropriate cautionary stance taken to control the stock price speculation in the market; and

(e) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) The Stock Market is dynamic in nature and the market movement is influenced by demand and supply interplays as well as a host of other factors.

The movement in stock market indices is a function of perception of the economy or a sector or of index stocks. It also depends on economic factors, domestic and international events, market sentiments, level of floating stock available, corporate performance and future economic growth. The stock market capitalizes and present and future values of growth opportunities while evaluating the growth of all sectors in economy.

The FIIs, cannot, therefore, be said to have a role in stock price overvaluation.

(c) to (e) Speculative activities namely jobbing, day-trading and arbitragers are normal features of the Stock Market. By taking a position in the market for the sake of profit the speculators bring to the market better information input and liquidity, thereby enabling the market to play an important economic function of price discovery and risk-management. It

is manipulation, and not speculation, which is detrimental to the functioning of the market. The regulator, Securities and Exchange Board of India (SEBI) is concerned only with price manipulation. If any, SEBI keeps a constant vigil on the market, irrespective of the levels of the indices and has taken action wherever warranted.

Loans to Self Help Groups

1129. SHRIMATI N.P. DURGA: Will the Minister of FINANCE be pleased to state:

(a) whether his Ministry is aware that the State Government of Andhra Pradesh is giving loans to Self Help Groups (SHGs) at 25 paise and has also decided to extend the same to farmers in the State and has sought help from the Central Government;

(b) if so, the details thereof; and

(c) what action his Ministry has taken or proposed to take on the above request?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) to (c) Government of Andhra Pradesh has introduced interest subsidy from 01 July 2004 for prompt repayment of bank loans by the Self Help Groups (SHGs) availed directly from banks or through SHG Federation. The objective of the scheme (called "Pavala Vaddi" Scheme i.e. 25 paise interest) is to provide loans to SHGs at 3% per annum.

The details of the Pavala Vaddi Scheme are given below:

* All the groups that have availed loan from banks under SHG-Bank Linkage programme after 01 July 2004 are eligible for interest subsidy.
* The groups have to repay the loans as per the schedule negotiated with banks.
* In case any group defaults in repayment of interest/principal for more than three months, SHG becomes ineligible under the scheme.
* Government may reimburse the interest burden of the groups over and above 3% per annum charged by the banks. The subsidy amount is to be directly credited to the savings bank account of the eligible groups.

Subsidies for bridging economic disparities

1130. SHRI RAMDAS AGARWAL: Will the Minister of FINANCE be pleased to state:

(a) whether Prime Minister, while speaking at Golden Jublee celebrations of the Institute of Economic Growth (IEG) in New Delhi on 15th December, 2007 expressed the views that subsidies meant to bridge economic disparities, were not reaching the poor;

(b) if so, how much amount by way of subsidies in food, fertilizers and petroleum (item-wise) was sanctioned/spent by Government during last two years, till date; and

(c) what steps Government has taken so far against a subsidy regime which did not address objective of equity and efficiency and even failed to plug leakages?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) The Prime Minister, while speaking at Golden Jubilee celebrations of the Institute of Economic Growth (IEG) in New Delhi on 15th December, 2007 had said, "I find